

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6969

BILL NUMBER: SB 236

NOTE PREPARED: Dec 30, 2002

BILL AMENDED:

SUBJECT: Taxes for Indigent Care.

FIRST AUTHOR: Sen. Landske

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

STATE IMPACT	FY 2003	FY 2004	FY 2005
State Revenues	700,000	1,100,000	3,400,000
State Expenditures	112,000	280,000	620,000
Net Increase (Decrease)	588,000	820,000	2,780,000

Summary of Legislation: This bill provides that property taxes for hospital care for the indigent (HCI) are imposed using a single tax rate to be applied in every county. It makes conforming changes to distribution provisions for local income taxes and the Motor Vehicle Excise Tax. The bill provides for amendment of the state Medicaid Plan concerning HCI. The bill also repeals the provisions for determination of individual county tax rates for HCI and transitional provisions for the property tax for HCI to be applied after June 30, 2003.

Effective Date: January 1, 2003 (retroactive).

Explanation of State Expenditures: The state pays Property Tax Replacement Credits (PTRC) in the amount of 60% of school general fund levies attributable to all property and 20% of the portion of all operating levies (including the remaining 40% of the school GF levy) that are attributable to real property and non-business personal property. Homestead Credits are paid by the state in the amount of 20% of the net property tax due on owner-occupied residences.

If the HCI levy rises as a result of this bill, then the state's expense for PTRC and Homestead Credits would also increase. PTRC and Homestead Credits are paid from the Property Tax Relief Fund, which is annually supplemented by the state General Fund. Therefore, any additional PTRC or Homestead Credit payments would ultimately come from the state General Fund. The additional state expense is estimated at \$112,000 in FY 2003, \$280,000 in FY 2004, \$620,000 in FY 2005, and \$1.5 M in FY 2006 and later.

Explanation of State Revenues: Under this proposal, revenues to the state HCI Fund would increase by about \$1.5 M in CY 2003, \$700,000 in CY 2004, and \$6.5 M per year beginning in CY 2005. The CY 2005 revenue increase is the result of this proposal's repeal of a reduction in HCI levies currently scheduled for 2005. Details are discussed below in *Explanation of Local Revenues*. The additional revenue on a fiscal year basis is estimated at \$700,000 in FY 2003, \$1.1 M in FY 2004, \$3.4 M in FY 2005, and \$6.5 M in FY 2006 and thereafter.

Medicaid Impact: Currently, most HCI funds are transferred to the Medicaid Account and used to leverage federal matching funds for certain payments within the Medicaid program. The additional revenue generated by the single statewide HCI tax rate would also be captured by the Medicaid program and would supplant state General Fund dollars currently used in the Medicaid program.

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, each county imposes an HCI property tax levy. The levy for each county increases each year by the statewide average assessed value growth quotient. The amount of the tax levy and the tax rate vary by county. This bill would implement a uniform HCI tax rate of \$0.02 per \$100 of assessed value beginning in CY 2003 to be used in all counties. The overall statewide tax proceeds change only minimally CY 2003 or CY 2004. However, the level of contribution from each county would be adjusted.

Under this proposal it is estimated that the CY 2003 and CY 2004 HCI property tax rate will increase in 70 counties (resulting in an additional levy of \$26 M), and it will be reduced in 22 counties (resulting in a reduction in levy of \$24 M - \$26 M). Under current law, the estimated 2003 HCI tax rate in each county will range from \$0.0001 to \$0.0950 per \$100 of assessed value as compared to the uniform \$0.02 rate under the bill. This statewide total HCI levy would be slightly higher under this proposal than under current law, about \$1.5 M in CY 2003 and \$700,000 in CY 2004.

Under current law, the CY 2005 HCI property tax levies are scheduled to be reduced by 10%, except in Lake and St. Joseph Counties where the levy will be reduced by \$4 M and \$1 M, respectively. Levies were due to be reduced by an estimated \$7 M. This proposal would eliminate that plan and replace it with the statewide uniform rate plan under which the statewide total HCI levy would not be reduced. Under this proposal, compared with the decreased levies in current law, it is estimated that the CY 2005 HCI property tax rate will increase in 70 counties (resulting in an additional levy of \$28 M) and it will be reduced in 22 counties (resulting in a reduction in levy of \$21.5 M). Under current law, the estimated CY 2005 HCI tax rate in each county will range from \$0.0001 to \$0.0811 per \$100 of assessed value as compared to the uniform \$0.02 rate under the bill. The statewide total HCI levy would be about \$6.5 M higher under this proposal than under current law.

A county-by-county estimate of the tax rate and levy effects of this proposal is available upon request from the Legislative Services Agency.

State Agencies Affected: Family and Social Services Administration.

Local Agencies Affected:

Information Sources: Local Government Database.

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